



Virginia Enterprise Zones

**INSTRUCTIONS FOR REQUESTING
STATE TAX CREDITS
FOR
REAL PROPERTY IMPROVEMENTS
FORM EZ-5R**

AUGUST 2001

**Virginia Department of
Housing and Community Development
501 North Second Street
Richmond, VA 23219-1321
(804) 371-7030
Ezone@dhcd.state.va.us
www.dhcd.state.va.us**

HOW TO COMPLETE FORM EZ-5R

TABLE OF CONTENTS

INTRODUCTION	x
DEFINITIONS	1
PROGRAM INCENTIVES AND GUIDELINES	
State Incentives.....	4
State Fiscal Limitation on the Real Property Improvement Tax Credit	4
Local Incentives	5
QUALIFICATION REQUIREMENTS	5
GENERAL PROGRAM GUIDELINES	
Timing of Zone Eligibility Period	6
Capital Lease Agreements	6
Limit On Receiving State Tax Incentives	6
Qualifying More than Once during a Five-year Period	6
Tax Credits for Partners or Shareholders of Small Business Corporations	7
Tax Credits for Other Pass Through Entities.....	7
Limit on Government Assistance.....	7
Required Records.....	7
SUBMISSION INSTRUCTIONS	7
HOW TO CLAIM THE REAL PROPERTY IMPROVEMENT CREDIT.....	8
HOW TO COMPLETE EZ-5R: QUALIFICATION FORM	
PART I: BACKGROUND INFORMATION.....	9
PART II: QUALIFICATION INFORMATION	
Eligibility Test	10
PART III: DECLARATION.....	12
APPENDIX A: LOCAL ENTERPRISE ZONE ADMINISTRATION DIRECTORY	
APPENDIX B: FOUR DIGIT BUSINESS ACTIVITY CODE NUMBERS	

INTRODUCTION

The purpose of the Enterprise Zone Act is to stimulate economic growth and neighborhood revitalization at the local level. The Virginia Enterprise Zone Program assists in business expansion and development in specially targeted areas throughout the state.

An enterprise zone is an economically distressed area of a county, city or town designated by the Governor to offer a package of state and local incentives for a period of 20 years. The incentives are designed to encourage business start-up, recruitment and expansion through state and local tax relief, local regulatory flexibility and infrastructure development.

This manual provides instructions for businesses on how to qualify for and request state tax incentives for **real property improvements**. Any business located within the boundaries of an enterprise zone is eligible to participate in the program provided certain qualification requirements are met. For more information about qualifying for local enterprise zone incentives or to determine if your business is located within the boundaries of a enterprise zone you can contact the appropriate local zone office listed in Appendix A.

PARTICIPATING IN THE VIRGINIA ENTERPRISE ZONE PROGRAM -- REAL PROPERTY IMPROVEMENT TAX CREDIT --

In order to qualify for state enterprise zone incentives for real property improvements all firms must complete **Form EZ-5R: Real Property Improvement Tax Credit Qualification Form**. Instructions for completing the form are presented in this manual. Form EZ-5R can be obtained from the Virginia Department of Housing and Community Development or from the Local Enterprise Zone offices listed in Appendix A.

A business firm that qualifies for the real property tax credit can only claim the real property improvement tax credit for the taxable year in which the real property was placed in service. For any tax year that ends on or after January 1 and on or before December 31, applications must be submitted to DHCD no later than May 1st of the calendar year following the end of the tax year. Completed forms must be sent by certified mail or hand delivered to the:

Virginia Department of Housing and Community Development
Community Revitalization and Development Office
501 North Second Street
Richmond, Virginia 23219-1321

If you have any questions about qualifying for state incentives or other aspects of the program, please call **(804) 371-7030**.

DEFINITIONS

Business firm means any business entity, incorporated or unincorporated, which is authorized to do business in the Commonwealth of Virginia and which is subject to State individual income tax, State corporate income tax, State franchise or license tax on gross receipts, or State bank franchise tax on net taxable capital.

1. The term "business firm" includes partnerships and small business corporations electing to be taxed under Subchapter S of the Federal Internal Revenue Code, and which are not subject to State income tax as partnerships or corporations, but the taxable income of which is passed through to and taxed as income of individual partners and shareholders.
2. The term "business firm" does not include organizations which are exempt from State income tax on all income except unrelated business taxable income as defined in the Federal Internal Revenue Code, Section 512; nor does it include homeowners associations as defined in the Federal Internal Revenue Code, Section 528.

Common control means those firms as defined by Internal Revenue Code § 52(b).

Department means the Department of Housing and Community Development.

Establishment means a single physical location where business is conducted or where services or industrial operations are performed.

1. A central administrative office is an establishment primarily engaged in management and general administrative functions performed centrally for other establishments of the same firm.
2. An auxiliary unit is an establishment primarily engaged in performing supporting services to other establishments of the same firm.

Independent certified public accountant means a public accountant certified and licensed by the Commonwealth of Virginia who is not an employee of the business firm seeking to qualify for State tax incentives or grants under this Program.

Large qualified zone resident means a qualified zone resident making qualified zone investments in excess of \$100 million when such qualified zone investments result in the creation of 200 permanent full-time positions.

Placed in service means (i) the final certificate of occupancy has been issued by the local jurisdiction for real property improvements; or (ii) the first moment that machinery becomes operational and is used in the manufacturing of a product for consumption; or (iii) in the case of tools and equipment it means the first moment they are used in the performance of duty or service.

Qualified zone improvements means the amount properly chargeable to a capital account for improvements to rehabilitate or expand depreciable non-residential real property placed in service during the taxable year within an enterprise zone, provided that the total amount of such improvements equals or exceeds \$50,000 and is equal to the assessed value of the real property prior to the improvements being made. It also includes the cost of any newly constructed depreciable non-residential real property (as opposed to rehabilitation and expansion) that is at least \$250,000 with respect to a single facility.

Qualified zone improvements include expenditures associated with any exterior, structural, mechanical, or electrical improvements necessary to expand or rehabilitate a building for commercial or industrial use.

1. Qualified zone improvements **include**, but are not limited to, the costs associated with excavation, grading, paving, driveways, roads, sidewalks, landscaping or other land improvements, demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing and flashing, exterior repair, cleaning and clean-up.
2. Qualified zone improvements **do not include** (i) the cost of furnishings; (ii) any expenditure associated with appraisal, architectural, engineering and interior design fees, (iii) loan fees; points or capitalized interest; (iv) legal, accounting, realtor, sales and marketing or other professional fees; (v) closing costs, permits, user fees, zoning fees, impact fees, inspection fees; (vi) bids insurance, signage, utilities, bonding, copying, rent loss, or temporary facilities incurred during construction; utility hook-up or access fees; outbuildings or the cost of any well, septic, or sewer system; or (vii) cost of acquiring land or an existing building.

Qualified zone improvements **also do not include** the basis of any property: (i) for which a credit was previously granted; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, or a trade or business under common control; or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person from whom acquired, or Internal Revenue Code § 1014 (a).

3. For purposes of **new construction** the following costs also **cannot be included** in the calculation of qualified improvements: land, land improvements, paving, grading, driveways and interest.

Qualified zone resident means an owner or tenant of real property located in an enterprise zone who expands or rehabilitates such real property to facilitate the conduct of a trade or business by such owner or tenant within the enterprise zone. In the case of a partnership, limited liability company or S corporation, the term "qualified zone resident" means the partnership, limited liability company or S corporation.

Related party means those as defined by Internal Revenue Code § 267(b).

Single Facility means one or more buildings constructed simultaneously at a single physical location within an enterprise zone that are necessary to facilitate the conduct of trade or business. This definition applies to new construction.

Small qualified zone resident means any qualified zone resident other than a large qualified zone resident.

Tax due means the amount of tax liability as determined by the Department of Taxation or the State Corporation Commission.

Taxable year means the year in which the tax due on State taxable income, State taxable gross receipts or State taxable net capital is accrued.

Unit of local government means any county, city or town. Special-purpose political subdivisions, such as redevelopment and housing authorities and industrial development authorities, are not units of local government.

Zone means an Enterprise Zone declared by the Governor to be eligible for the benefits of this Program.

VIRGINIA ENTERPRISE ZONE PROGRAM INCENTIVES AND GUIDELINES

Virginia's Enterprise Zone Act offers three types of tax incentives and job grants to qualified businesses. Each incentive is independent of one another and has different qualifications. Applicants interested in applying for the general tax credit, real property improvement tax credit, the investment tax credit, or job grants will need to obtain the appropriate application forms and instruction manuals from DHCD or a local zone administration office in order to apply. Below is a brief explanation of each incentive.

- (1) Ten-year *general income tax credit* against a business's state tax liability in an amount up to 80% in year one and 60% in years two through ten. For businesses investing at least \$15 million and creating 50 jobs the amount of credit is subject to negotiation between the business and DHCD. Businesses qualifying **after** July 1, 1997 must have 25% of new jobs filled by low-income individuals or zone residents. Businesses qualified **prior to** July 1, 1997 must continue to have 40% of their new jobs filled by low-income individuals or zone residents.
- (2) *Real property improvement tax credit* equal to an amount of up to 30% of qualified zone improvements with a maximum amount not to exceed \$125,000 within a five-year period. Rehabilitation and expansion projects must cost at least \$50,000 or be equal to the assessed value of the real property prior to the improvements being made, whichever is greater. Qualified improvements in new construction projects must cost at least \$250,000. The credit is refundable to the extent that if the business state tax liability is less than the credit allocated, the remaining balance would be refunded.
- (3) *Investment tax credit* against a business's state tax liability for businesses investing at least \$100 million and creating 200 jobs. The percentage amount is negotiable and could be worth up to 5% of the investment. Business firms qualifying for the investment tax credit have the option of taking this incentive in lieu of the real property improvement tax credit.
- (4) *Job grants* for new permanent full-time positions created by business start-ups and expansions by existing firms in amounts equal to \$1,000 per zone resident and \$500 for positions filled by a non zone resident. The maximum grant to any one firm per year is \$100,000 for three consecutive calendar years commencing with the first year. Businesses may qualify for more than one three-year job grant period provided the business firm creates additional permanent full-time positions.

STATE FISCAL LIMITATIONS - REAL PROPERTY IMPROVEMENT TAX CREDIT

Applicants may only apply for credits that they are otherwise eligible to claim during a taxable year. However, both the general tax credit and the real property tax credit for small qualified zone businesses and small qualified zone residents are subject to a combined annual fiscal limitation of \$16 million based on the Commonwealth's fiscal year which ends June 30th. If requests for tax credits from the \$16 million pool are exceeded, and requests from large qualified business firms and large qualified zone residents requesting tax credits from the \$3 million pool are less than \$3 million, then any remaining funds from the \$3 million pool can be allocated. However, in the event that taxpayer requests exceed the Commonwealth's annual fiscal limitations the taxpayer shall be granted

a *pro rata* amount by DHCD. No taxpayer will be treated differently when calculating the pro rata amount. Each taxpayer will receive an equitable share by dividing each taxpayer's request by the total of all taxpayer requests and multiplying the product by the fiscal limitation. The result is the actual amount of tax credit allocated to the qualified business.

In the event that a taxpayer receives an amount pro rata for the *real property improvement tax credit*, the prorated amount will be the full credit a taxpayer will be allowed for the taxable year. Any credit not useable because of pro-ration for the taxable year the credit was allowed cannot be carried back to a preceding taxable year and is not refundable in a future year.

LOCAL INCENTIVES

Local governments provide a variety of local incentives to further encourage economic growth and investment in their enterprise zones. For more information on the local incentives available, contact the appropriate local zone administrator listed in Appendix A.

QUALIFICATION REQUIREMENTS - REAL PROPERTY TAX CREDIT

In order to qualify for the real property improvement tax credit a business firm must meet the following requirements:

1. **Rehabilitation or expansion of non-residential real property** – Be owner-occupant or tenant that makes lease-hold improvements to a place of business that is located in an enterprise zone **and** make either a minimum investment of at least \$50,000 or one that equals or exceeds the assessed value of the real property prior to the improvements being made, which ever is greater. This means that if the assessed value of the real property prior to qualified improvements being made is less than \$50,000, the minimum investment of the qualified improvements must be at least \$50,000. However, if the assessed value of the real property prior to the improvements is \$100,000, the minimum investment of qualified improvements must be at least \$100,000.

Qualified zone improvements include, but are not limited to, the costs associated with excavation, grading, paving, driveways, roads, sidewalks, landscaping or other land improvements, demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing and flashing, exterior repair, cleaning and clean-up.

Qualified zone improvements do not include (i) the cost of furnishings; (ii) any expenditure associated with appraisal, architectural, engineering and interior design fees, (iii) loan fees; points or capitalized interest; (iv) legal, accounting, realtor, sales and marketing or other professional fees; (v) closing costs, permits, user fees, zoning fees, impact fees, inspection fees; (vi) bids insurance, signage, utilities, bonding, copying, rent loss, or temporary facilities incurred during construction; utility hook-up or access fees; outbuildings or the cost of any well, septic, or sewer system; or (vii) cost of acquiring land or an existing building. Qualified zone improvements also do not include the basis of any property: (i) for which a credit was previously granted; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, or a trade or business under common control; or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the

person from whom acquired, or Internal Revenue Code §1014 (a).

2. **New construction of non-residential real property** - Be the owner-occupant of the real property being constructed with a minimum investment in nonresidential real property of at least \$250,000 with respect to a single facility.

For purposes of *new construction* the following costs **also cannot be included** in the calculation of qualified zone improvements: land, land improvements, paving, grading, driveways and interest.

GENERAL PROGRAM GUIDELINES

Timing of Zone Eligibility Period: Each enterprise zone is in effect for a period of 20 years from the date of its designation. A business firm may choose to participate in the program at any time during the existence of a zone.

Capital Lease Agreements: In instances where a business firm enters into a capital lease agreement to purchase an asset, the lessee may be eligible for the real property improvement tax credit pursuant to the Code of Virginia §§ 59.1-280.1 B.

Limit On Receiving State Tax Incentives: A business firm may receive state real property tax credits in an amount of up to \$125,000 within a five-year period. Business firms which maximize their benefits under this incentive within a five-year period are eligible to apply for additional real property improvement tax credits provided the improvements are made after the previous five year period.

Qualifying More than Once during a Five-year Period: A business firm may qualify more than once for the real property improvement tax credit during a five-year period, but the maximum credit amount of \$125,000 cannot be exceeded during this time frame. To qualify for a second or subsequent real property improvement tax credit within a five-year period the business firm must continue to follow the prescribed application steps.

Rehabilitation projects involving renovations to property which previously qualified must include a copy of the most recent assessment provided by the local jurisdiction indicating the newly assessed value of the building prior to the additional improvements being made. New construction projects as opposed to rehabilitation must still have at least \$250,000 in qualified improvements in order to qualify.

The Real Property Improvement Tax Credit Only Applies to Income, Net Capital or Gross Receipts Attributable to Conduct of Business within the Commonwealth: State tax credit applies only to taxable income; net capital; or gross premium receipts attributable to conduct of business within the Commonwealth of Virginia.

Tax Credits for Partners or Shareholders of Small Business Corporations Taxed Under Subchapter S of the Federal Internal Revenue Code: When a partnership or small business corporation taxed under Subchapter S of the Federal Internal Revenue Code is eligible for State income tax credits, each partner or shareholder may request the credit on their individual income tax in proportion to the amount of profits received by the partner from the partnership or the shareholder

from the corporation.

Tax Credits for Other Pass Through Entities: In the case of newly constructed real property where a business firm makes qualified leasehold improvements during the construction of a new building and makes at least \$250,000 in qualified improvements, the leaseholder could qualify for the credit. However, the qualified improvements must be invoiced to the leaseholder who can only claim the costs of qualified zone improvements that are actually paid for using cash equity or independently borrowed funds.

In situations where an operating company forms a wholly-owned conduit entity, such as a limited liability company (LLC), to rehabilitate or construct a building that is to be leased to the operating company, the LLC can qualify for the real property improvements tax credit provided the qualified expenses are paid by the LLC and the operating company occupies the building. Any credit earned by the LLC would pass through to the operating company.

In instances where a conduit entity is formed by an operating company and a development firm to rehabilitate or construct a building that is to be leased to the operating company, the conduit entity would qualify for the real property improvement tax credit provided the qualified expenses are paid for by the conduit entity and the operating company occupies the building. However, the actual credit allowed would be limited to the qualified expenses attributable to the operating company measured by its investment in the conduit entity. Any qualified expenses attributable to the development firm would not be permitted to earn the credit.

Limit on Government Assistance: A business firm may not use the same expense to qualify for the investment tax credit under this program. Business firms qualifying for the investment tax credit have the option of taking the investment tax credit *in lieu* of the real property improvement tax credit.

Required Records: Business firms participating in this incentive should keep careful records of the qualified zone improvements. These records must be kept for a period of six years for tax audit purposes.

SUBMISSION INSTRUCTIONS

Submission deadline for filing Form EZ-5R

A business firm that qualifies for the real property tax credit can only claim the real property improvement tax credit for the taxable year in which the real property was placed in service. For any tax year that ends on or after January 1 and on or before December 31, applications shall be submitted to DHCD by no later than May 1 of the calendar year following the end of the tax year. If required submittal dates fall on a weekend or holiday, the due date will be the next business day.

- (1) DHCD will review all applications for completeness and notify business firms of any deficiencies no later than June 1st. Business firms must respond to any unresolved issues no later than June 15th.
- (2) DHCD will notify all applicants by June 30th as to the amount of applicable real property improvement credit they may claim for the taxable year the request was made.
- (3) DHCD will certify to the Commissioner, Virginia Department of Taxation or, in the case of

public service companies, to the Director of Public Service Taxation for the State Corporation Commission the applicability of the tax credits requested by the firm; and forward two copies of the certification to the firm. DHCD will also notify the firm if it fails to qualify for state tax incentives.

- (4) Any business firm which is interested in amending past tax returns must submit an application requesting the real property improvement tax credit within three subsequent tax years immediately following the taxable year the real property was placed in service. The amount of the real property improvement tax credit the firm may be eligible for will depend on the outstanding credit balance remaining for the particular tax year the request was made. Amendment requests will be handled on a first-come, first-serve basis. This credit was not available prior to July 1, 1995, therefore, business firms cannot request or amend returns for tax years that began prior to July 1, 1995.
- (5) Any application submitted after the May 1st deadline will be will be treated as an application for amending a tax return. The amount of the real property improvement tax credit the firm may be eligible for will depend on the outstanding credit balance remaining for the particular tax year the request was made. Late submittals will be handled on a first-come, first-serve basis.

HOW TO CLAIM THE REAL PROPERTY IMPROVEMENT TAX CREDIT

After DHCD determines a business firm has met the qualification requirements **two copies** of a Certificate of Qualification will be sent to the qualifying firm and **should be used** as follows:

1. Copy for the firm's records.
2. Copy to be filed with the state tax return and **Form 301** Enterprise Zone Tax Credit request form.

Business firms will need to fill out Virginia Tax **Form 301-Enterprise Zone Credit** to take advantage of the real property improvement tax credit. A copy of the Certificate must be attached to the firm's state tax return along with Form 301 in order for the Department of Taxation or the State Corporation Commission to grant the credit. When a partnership or small business corporation electing to be taxed under Subchapter S of the Federal Internal Revenue Code requests a credit against State individual income tax on behalf of its partners or shareholders, **each partner or shareholder must attach a copy of form 301 and a photocopy of the firm's Certificate of Qualification to their state individual income tax return.**

PART II

HOW TO COMPLETE EZ-5R: REAL PROPERTY IMPROVEMENT TAX CREDIT QUALIFICATION FORM

HOW TO COMPLETE EZ-5R: REAL PROPERTY IMPROVEMENT TAX CREDIT QUALIFICATION FORM

The EZ-5R is the form used by businesses to determine if the firm has met the Program qualification requirements. Form EZ-5R **must be completed and signed** by an independent certified public accountant licensed by the Commonwealth of Virginia. The CPA signature serves as prima facie evidence that a business firm is qualified to receive enterprise zone incentives. The CPA cannot be an employee of the business firm seeking to qualify for state tax incentives under this Program.

The following are step-by-step instructions for completing Form EZ-5R.

PART I: BACKGROUND INFORMATION

- Item 1. On the first line enter the name of the zone where the business firm is located. For example: Richmond (South) or Newport News (Mid Cities).
- On the second line enter the **month, day and year** the enterprise zone was designated.
- On the third line enter the **month, day and year** the real property was placed in service. This is the date when the final certificate of occupancy or equivalent was issued by the local jurisdiction. (See definition of “placed in service” on page 1.) **Attach a copy of the final certificate of occupancy or equivalent.**
- Item 2. Check the appropriate line to indicate whether the applicant is a lease-holder or an owner-occupant.
- Item 3. Indicate the type of real property improvements made within the enterprise zone.
- Item 4. Enter the Federal employer identification number (FEIN) that is used on your Federal income tax return.
- Item 5. Enter the legal name and "trading" name of the business firm. If the trading name is the same as the legal name, indicate "same."
- Item 6. On the first line enter the business firm's enterprise zone street address.
- On the second line enter the code number which identifies the primary business activity the business is involved in. The 4-digit code number and specific groups of business activities are listed in Appendix B.
- Item 7. Enter the firm's principal mailing address. The Enterprise Zone Certificate of Qualification will be mailed to this address.
- Item 8. Enter the name of the contact person for the business firm and a daytime telephone number where the contact person can be reached to answer any questions.

- Item 9. Check the appropriate line to indicate what type of business organization is applying for state tax credits. If the "other" line is checked, indicate what type of business organization is applying.
- Item 10. Check appropriate line to indicate the type of state tax that applies to your firm.
- Item 11. Complete this item **only** if the firm is a **subsidiary**. Enter the legal name and Federal employer identification number (FEIN) of the parent company.
- Item 12. Complete this item **only** if the firm is a **partnership** or a **small business corporation** electing to be taxed under **Subchapter S** of the Federal Internal Revenue Code. Attach a separate sheet and list the name, address and social security number of each partner or shareholder. List in the same order as on the appropriate Federal and Virginia returns: for partnerships, Schedule K-1 of Form 1065 and for S Corporations, Schedule K-1 of Form 1120S and Form 500S.

PART II: QUALIFICATION INFORMATION

- Item 1. Enter the taxable year for which the firm is requesting enterprise zone tax incentives. A firm's taxable year is the same year used for Federal income tax purposes.
- Item 2. **Eligibility Test** - The real property improvement tax credit requires owners and tenants of real property to make specific investments. The following requirements must be observed when completing item 2.
- 1) Rehabilitated or expanded non-residential real property - the tenant or owner-occupant whose place of business is located on the premise in the enterprise zone must make a minimum investment of \$50,000 or an amount equal to the assessed value of the real property prior to the improvements being made, whichever is greater.
- For multi-tenant property in which a portion of the real property is being rehabilitated or expanded, the lessor must make a minimum real property investment of at least \$50,000 or an amount equal to the assessed value of the prorated real property prior to the improvements being made, which ever is greater for that portion of the non-residential real property.
- 2) New construction of non-residential real property - The applicant must be the owner-occupant of the real property being constructed with a minimum investment in nonresidential real property of at least \$250,000 with respect to a single facility.
- Item 2(a). **Complete this item only for real property that is being rehabilitated or expanded.** Enter the assessed value of the real property as provided by the local jurisdiction's assessor's office. **Attach a copy of the real property's assessed value provided by the local jurisdiction.**

In the case of a **multi-tenant facility**, where there is more than one lease-holder and one or more choose to make improvements on only a portion of the real property, the following application for qualification applies:

- 1) Obtain a verified assessment of the entire building from the locality's assessor's

office.

- 2) The assessment of the building will need to be prorated on the portion (square footage) of the building that is being leased.

If a proration applies, check the box indicating a multi-tenant proration and enter the prorated assessed value based on the square footage held by the lessor. **Attach a copy of the real property's assessed value provided by the local jurisdiction and a copy of the lease that indicates the total square footage being leased.**

Item 2(b). **Complete this item for rehabilitation, expansion and new construction.** Enter the actual dollar value of qualified zone improvements made by the business firm. Attach a list of the qualified zone improvements made to the enterprise zone property.

For example, Firm X completed a rehabilitation project and made \$75,000 worth of qualified improvements that exceeded the minimum investment of \$50,000 and the assessed value of the real property prior to the improvements being made. For this example, \$75,000 is entered on line (b); also attached is a list of the actual qualified improvements made to the real property located in the zone. The list must be attached to Form EZ-5R and must be **certified and signed by the CPA** who reviewed the eligible expenses and prepared Form EZ-5R. An **example** of such a list is as follows:

Firm X located in the City of Richmond North Zone at 501 North Second Avenue, made the following qualified zone improvements to the real property which was placed in service on January 22, 1999.

Carpentry	\$17,000
Demolition	\$ 4,800
Doors	\$ 3,800
Electrical	\$ 1,000
Exterior repair	\$15,000
Fire suppression systems	\$10,800
Fixtures	\$ 3,000
Plaster	\$ 2,200
Painting	\$ 6,900
Sheetrock	<u>\$ 8,300</u>
Total	\$75,000

Certified by: John Doe, CPA
Signature

Item 2(c). Multiply line (b) by thirty percent (30%), this is the amount of credit the firm is requesting. Please keep in mind that the maximum allowable credit is \$125,000 within a five year period.

From the previous example, Firm X would multiply \$75,000 x .30 = \$22,500 and enter this amount on line (c).

Item 3. Has the business firm received a state real property improvements tax credit in the

last five years? If yes, indicate the amount of credit that was granted. If no, place N/A to indicate not applicable on this line.

PART III: DECLARATION

Item 1. Requests the name and signature by an official representative of the business firm authorized to sign on behalf of the firm.

Item 2. Requests an independent certified public accountant (CPA) licensed by the Commonwealth of Virginia to complete and sign the form. The CPA cannot be an employee of the business firm seeking to qualify for State tax incentives under this Program.

NOTE: Please do not forget to obtain the proper signatures on the EZ-5R. Applications either must be hand delivered by the date specified or sent by certified mail with a return receipt requested and post marked no later than the date specified. UPS or FedEx is considered hand delivery and must be received no later than the application deadline.

CHECK LIST OF ATTACHMENTS

The following attachments must accompany the EZ-5R application form.

1. Copy of the final certificate of occupancy or equivalent issued by the local jurisdiction.
2. Rehabilitation projects must include a copy of the real property assessment provided by the local jurisdiction indicating the assessed value of the building prior to the improvements being made.
3. In the case of leasehold improvements, attach a copy of the real property's assessed value provided by the local jurisdiction and a copy of the lease that indicates the total square footage being rented.
4. A list of the actual qualified improvements and costs made to the real property located in the zone. The list must be certified and signed by the same CPA completing the application form.
5. If the firm is a partnership or a small business corporation electing to be taxed under Subchapter S of the Federal Internal Revenue Code, attach a separate sheet that lists the name, address and social security number of each partner or shareholder. List in the same order as listed on the appropriate Federal and Virginia returns.

APPENDIX A

APPENDIX B

